

Message Text

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PAGE 01 MANILA 03083 241211Z
ACTION EA-12

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P R 240838Z FEB 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 2168
USDOC WASHDC PRIORITY
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY NEW DELHI
AMEMBASSY SINGAPORE
AMCONSUL BOMBAY

UNCLAS MANILA 3083

E.O. 11652: NA
TAGS: BENC, RP
SUBJ: MAJOR PROJECT: PAPER MILLS IN THE PHILIPPINES

REFS: A. STATE 041765, B. MANILA 2977, C. CALCUTTA 0293
D. 77 MANILA -244

1. THE BIRLA GROUP, THROUGH ITS PHILIPPINE PARTNER, INDO PHIL TEXTILE MILLS, APPLIED NOVEMBER 1977 FOR INCENTIVES FROM THE BOI FOR A WRITING-PAPER AND PRINTING PAPER PROJECT IN BUTUAN CITY. ACCORDING TO MR. MURARI AGRAWAL, VICE-PRESIDENT FOR PROJECTS OF INDO PHIL, THE PROJECT IS EXPECTED TO COST ABOUT P500 MILLION (\$67.6 MILLION) AND WILL HAVE AN INITIAL CAPACITY OF 120 TONS PER DAY. AGRAWAL SAID BIRLA EXPECTS THE PROJECT TO BE FULLY OPERATIONAL TWO AND A HALF YEARS AFTER BOI APPROVAL OF ITS APPLICATION. AT THIS STAGE, PREPARATIONS FOR THE PROJECT ARE STILL BEING SETTLED BY THE BIRLA BROTHERS IN BOMBAY, INCLUDING FINANCING. PARTICIPATION BY OTHER LOCAL FIRMS IN THE VENTURE MAY ALSO BE CONSIDERED, BUT MR. AGRAWAL SAID
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THERE ARE MANY ALTERNATIVES ON CERTAIN ASPECTS OF THE PROJECT AND THAT A DEFINITE DIRECTIOAN WILL ONLY BE SET AFTER THE BOI HAS LAID DOWN THE CONDITIONS OF ITS APPROVAL OF THE PROJECT.

2. ALTHOUGH PLANNING IS STILL FLUID, BIRLA WOULD WELCOME PROPOSALS FROM ENGINEERING FIRMS. INTERESTED

PARTIES MAY CONTACT THE FOLLOWING:

PHILIPPINES: MR. MURARI AGRAWAL
VICE-PRESIDENT FOR PROJECTS
INDO PHIL TEXTILE MILLS
EQUITABLE BANKING CORPORATION BUILDING
MAKATI, METRO MANILA, REPUBLIC OF THE
PHILIPPINES

OR

MR. HEMCHANDERI SACHETI
RESIDENT EXECUTIVE
BIRLA A.G. SWITZERLAND
EQUITABLE BANKING CORPORATION BUILDING
MAKATI, METRO MANILA, REPUBLIC OF THE
PHILIPPINES
TELEPHONE: 88-04-80
TELEX: 5419 INDOPHIL
CABLE: INDOPHIL

INDIA: MR. ADITYA V. BIRLA
INDUSTRY HOUSE
159 CHURCHGATE RECLAMATION
BOMBAY 400020
TELEPHONE: 294508, 296261

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TELEX: GR CHEM 0115392

3. CONCERNING THE ASEAN NEWSPRINT PLANT, BOTH MR. CARL MATRIANO OF THE BOARD OF INVESTMENTS (BOI) AND MR. PEDRO M. PICORNELL OF THE PAPER INDUSTRIES CORPORATION OF THE PHILIPPINES (PICOP) HAVE CONFIRMED THAT THE STATUS OF THE PROJECT HAS NOT CHANGED SIGNIFICANTLY SINCE EMBASSY'S PREVIOUS REPORT (REFAIR D). THE PROJECT IS STILL VERY MUCH CONCEPTUAL. MATRIANO DID SAY THAT THE ASEAN COMMITTEE ON MINERALS INDUSTRY AND ENERGY (COMIE) IS EXPECTED TO MEET IN MARCH, AND THE GOP MAY TAKE THAT OCCASION TO PRESS ITS BID TO HAVE THE NEWSPRINT PLANT IDENTIFIED AS THE PHILIPPINES' ASEAN PROJECT. (SEE 77 MANILA 16733). ALL PARTIES CONTACTED SAID THERE IS NO TIE BETWEEN THE BIRLA GROUP AND THE ASEAN PROJECT.

4. PICOP IS EXPANDING ITS OWN MILL'S CAPACITY FROM THE PRESENT 235 TONS PER DAY TO 290 TONS PER DAY. THE EXPANSION PROJECT, WHICH HAS BEEN APPROVED BY THE BOI, STARTED LATE LAST YEAR AND "SHOULD BE COMPLETED BY THE END OF THIS YEAR." THE PROJECT COST ABOUT P130 MILLION

(\$17.6 MILLION), AND IS BEING FINANCED FROM PROCEEDS OF
A DEBENTURE BOND ISSUE AND INTERNALLY GENERATED FUNDS.
THE EXPANSION PROJECT IS STRICTLY AN INTERNAL UNDER-
TAKING, USING IN-HOUSE TECHNICAL EXPERTISE.
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Disposition Approved on Date:
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